(12)

MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210)

BEC1044 –MACROECONOMICS

(All sections / Groups)

7 February 2023
9 am to 11 am
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 3 pages excluding the cover page with 4 questions only. Answer **ALL** questions
2. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the answer booklet provided.

QUESTION 1

A. Explain the reason's for the failure of command system.

(8 marks)

B. Department of Statistics of Malaysia has collected the following data for years 2020 and 2021:

	2020	2021
Population	52.60 millions	54.30 millions
Employed	15.096 millions	15.53 millions
Unemployed	0.504 millions	0.643 millions

i. Estimate Malaysia's labour force for years 2020 and 2021.

(3 marks)

ii. Estimate Malaysia's unemployment rate for years 2020 and 2021.

(3 marks)

iii. Find Malaysia's labour-participation rate for years 2020 and 2021.

(3 marks)

C. Describe **ANY FOUR (4)** recommendations for any economy to continue achieving high-quality growth over the long term.

(8 marks)

(Total: 25 marks)

QUESTION 2

Passage1

Contractors said the continued foreign labour shortage has stifled the recovery of the construction industry, noting that they are facing higher interest rates. Master Builders Association Malaysia (MBAM), on behalf of a group of construction associations, wrote in a joint statement that contractors' cash flows are getting tight due to slow progress at sites, stemming from labour shortage. Additionally, MBAM said the "living nightmares" the construction industry players are enduring include material price hikes due to unfavourable exchange rates, potential imposition of Liquidated Ascertained Damages (LAD) and tarnished reputations.

Source: https://www.theedgemarkets.com/article/construction-associations-urge-pm-intervene-prolonged-foreign-labour-shortage

Continued...

Refer to Passage 1 and answer the following questions.

(a) Assess how labour shortages in construction industry affect Malaysia's Aggregate Supply and real GDP (9 marks)

(b) Illustrate graphically your answer in (a) by employing the AD-AS model. (4 marks)

(c) Interpret the short run effect of the labour shortage on unemployment by graphical illustration of the Philips curve. (6 marks)

(d) Assess the type of inflation faced by construction industry with diagram. (6 marks)

(Total: 25 marks)

QUESTION 3

(a) Interpret the consequences of government budget surplus using an appropriate diagram representing the market for loanable funds

(8 marks)

(b) Assess how an increase in the demand for capital goods in any country can lead to a change in the exchange rate. (8 marks)

(c) Illustrate how a change in the money supply can affect the following in the short run. (9 marks)

(i) The supply of loanable funds
(ii). The price level
(iii) The expected inflation rate

(Total: 25 marks)

QUESTION 4

a) Assess the impact of crowding out effect on the effectiveness of fiscal policy. (8 marks)

b) The National Bank has reserves of RM20000 and check able deposits of RM100000. The reserve ratio is 20 percent. Households deposit RM7000 in currency into the bank that is added to reserves. Show the excess reserves does the bank now have?

(7 marks)

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c) Lim, a resident of Malaysia, buys machinery from a company in Germany. Explain why and in what directions this transaction affect Malaysian net exports and Malaysian net capital outflow. (10 marks)

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